

LINCOLN COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2011

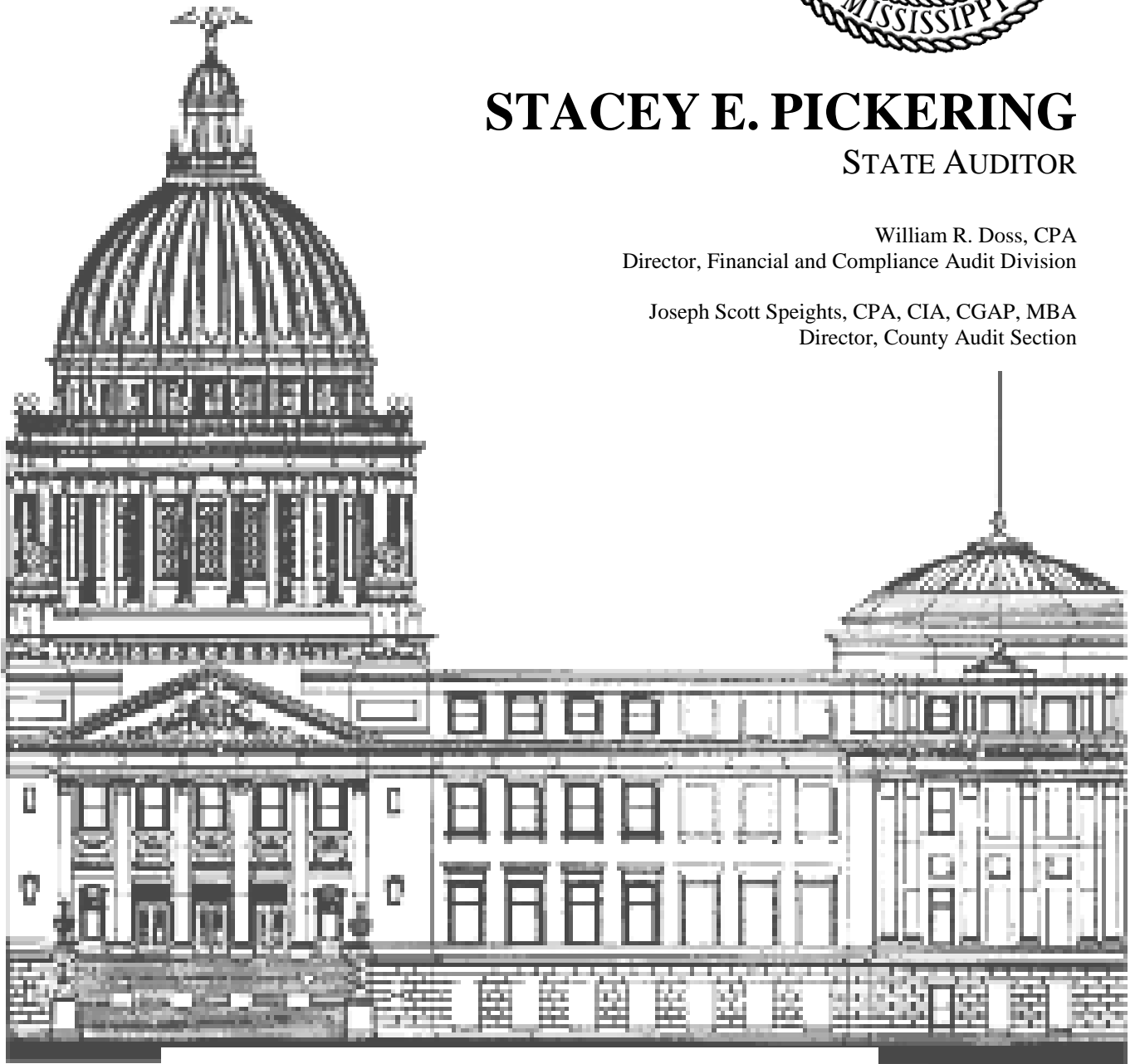


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

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Director, County Audit Section



A Report from the County Audit Section

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LINCOLN COUNTY
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LINCOLN COUNTY

FINANCIAL SECTION

LINCOLN COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Lincoln County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, the major fund and the aggregate remaining fund information of Lincoln County, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lincoln-Lawrence-Franklin Regional Library, a component unit, which represents 100 percent of the assets, net assets, and revenues of the aggregate discretely presented component unit. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component unit, is based on the report of the other auditor.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management did not maintain adequate subsidiary records documenting the existence and valuation of solid waste accounts receivable or the aging of these solid waste receivables as reported within the other governmental funds of the aggregate remaining fund information. Due to the nature of the County's records, we were unable to satisfy ourselves as to the fair presentation of the solid waste accounts receivable, net, and the related transactions as reported in the other governmental funds in the amount of \$321,232 as of September 30, 2011.

In our opinion, except for the effects of such adjustments, if any, as might have been determined had we been able to examine evidence to determine the net realizable value of the solid waste accounts receivable reported in the other governmental funds, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the aggregate remaining fund information of Lincoln County, Mississippi, as of September 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, based on our audit and the report of the other auditor, the financial statements referred to previously, present fairly, in all material respects, the respective financial position of the governmental activities, aggregate discretely presented component unit, and the major fund of Lincoln County, Mississippi, as of September 30, 2011, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

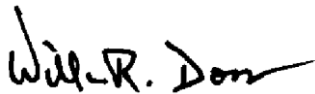
As discussed in Note 2, the county adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as of October 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2013, on our consideration of Lincoln County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Lincoln County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedule and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lincoln County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Will-R. Dooss".

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

June 14, 2013

LINCOLN COUNTY

FINANCIAL STATEMENTS

LINCOLN COUNTY

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LINCOLN COUNTY
Statement of Net Assets
September 30, 2011

Exhibit 1

	Primary Government Governmental Activities	Component Unit Lincoln-Lawrence-Franklin Regional Library
ASSETS		
Cash	\$ 6,110,206	878,219
Investments		105,963
Prepaid tax asset		7,796
Property tax receivable	8,844,200	
Accounts receivable (net of allowance for uncollectibles of \$ 862,935)	321,232	
Fines receivable (net of allowance for uncollectibles of \$ 8,001,406)	2,603,590	
Intergovernmental receivables	456,176	
Capital assets:		
Land and construction in progress	2,231,774	6,000
Other capital assets, net	73,045,265	358,546
Total Assets	<u>93,612,443</u>	<u>1,356,524</u>
LIABILITIES		
Claims payable	863,092	22,640
Amount held in custody for others	163,589	
Intergovernmental payables	369,021	
Matured bonds and interest payable	15,000	
Accrued interest payable	76,410	
Deferred revenue	8,844,200	
Long term liabilities		
Due in one year:		
Capital debt	629,524	
Non-capital debt	70,000	19,049
Due in more than one year:		
Capital debt	3,800,147	
Non-capital debt	1,402,419	
Total Liabilities	<u>16,233,402</u>	<u>41,689</u>
NET ASSETS		
Invested in capital assets, net of related debt	70,847,368	364,546
Restricted:		
Expendable:		
General government	506,063	
Debt service	336,303	
Public safety	80,239	
Public works	3,140,425	
Culture and recreation	189,123	
Economic development	82,707	
Unemployment compensation		6,459
Eva Vernon Building Fund		391,306
Other purposes	104,260	
Unrestricted	2,092,553	552,524
Total Net Assets	<u>\$ 77,379,041</u>	<u>1,314,835</u>

The notes to the financial statements are an integral part of this statement.

LINCOLN COUNTY
Statement of Activities
For the Year Ended September 30, 2011

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Lincoln-Lawrence-Franklin Regional Library
Primary government:						
Governmental activities:						
General government	\$ 6,103,812	1,234,363	272,397		(4,597,052)	
Public safety	3,564,739	713,456	187,149		(2,664,134)	
Public works	2,709,812	1,247,187	2,209,166	548,144	1,294,685	
Health and welfare	254,158		46,445		(207,713)	
Culture and recreation	563,990	13,617	21,648		(528,725)	
Conservation of natural resources	107,176				(107,176)	
Economic development and assistance	729,573		720,586		(8,987)	
Interest on long-term debt	283,170				(283,170)	
Total Governmental Activities	<u>14,316,430</u>	<u>3,208,623</u>	<u>3,457,391</u>	<u>548,144</u>	<u>(7,102,272)</u>	
Total Primary Government	<u>\$ 14,316,430</u>	<u>3,208,623</u>	<u>3,457,391</u>	<u>548,144</u>	<u>(7,102,272)</u>	
Component unit:						
Lincoln-Lawrence-Franklin Regional Library	\$ 902,022	62,953	386,901			(452,168)
Total Component Units	<u>\$ 902,022</u>	<u>62,953</u>	<u>386,901</u>	<u>0</u>		<u>(452,168)</u>
General revenues:						
Property taxes				\$	8,416,908	
Road & bridge privilege taxes					391,824	
Grants and contributions not restricted to specific programs					553,159	
Unrestricted interest income					114,543	
Miscellaneous					310,943	
County revenues						390,274
City revenues						130,930
Total General Revenues					<u>9,787,377</u>	<u>521,204</u>
Changes in Net Assets					<u>2,685,105</u>	<u>69,036</u>
Net Assets - Beginning, as previously reported					79,947,650	1,245,799
Prior period adjustment					(5,253,714)	
Net Assets - Beginning, as restated					<u>74,693,936</u>	<u>1,245,799</u>
Net Assets - Ending				\$	<u>77,379,041</u>	<u>1,314,835</u>

The notes to the financial statements are an integral part of this statement.

LINCOLN COUNTY
Balance Sheet - Governmental Funds
September 30, 2011

Exhibit 3

	Major Fund		
	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 1,284,375	4,615,691	5,900,066
Property tax receivable	5,558,098	3,286,102	8,844,200
Accounts receivable (net of allowance for uncollectibles of \$862,935)		321,232	321,232
Fines receivable (net of allowance for uncollectibles of \$8,001,406)	2,603,590		2,603,590
Intergovernmental receivables	206,671	249,505	456,176
Due from other funds		168,081	168,081
Total Assets	\$ 9,652,734	8,640,611	18,293,345
LIABILITIES AND FUND BALANCES			
Liabilities:			
Claims payable	\$ 227,203	635,889	863,092
Intergovernmental payables	348,697		348,697
Due to other funds	188,405		188,405
Amount held in custody of others	163,589		163,589
Matured bonds and interest payable		15,000	15,000
Deferred revenue	8,161,688	3,607,334	11,769,022
Total Liabilities	9,089,582	4,258,223	13,347,805
Restricted for:			
General government		302,027	302,027
Public safety		151,133	151,133
Public works		3,140,425	3,140,425
Culture and recreation		189,123	189,123
Economic development and assistance		82,707	82,707
Debt service		412,713	412,713
Other purposes		104,260	104,260
Unassigned	563,152		563,152
Total Fund Balances	563,152	4,382,388	4,945,540
Total Liabilities and Fund Balances	\$ 9,652,734	8,640,611	18,293,345

The notes to the financial statements are an integral part of this statement.

LINCOLN COUNTY

Exhibit 3-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2011

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 4,945,540
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$125,985,802.	75,277,039
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	2,924,822
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(5,902,090)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(76,410)
Internal Service Funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets.	<u>210,140</u>
Total Net Assets - Governmental Activities	\$ <u><u>77,379,041</u></u>

The notes to the financial statements are an integral part of this statement.

LINCOLN COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2011

	Major Fund	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
REVENUES			
Property taxes	\$ 5,358,307	3,058,601	8,416,908
Road and bridge privilege taxes		391,824	391,824
Licenses, commissions and other revenue	658,953	29,876	688,829
Fines and forfeitures	575,161	250	575,411
Intergovernmental revenues	1,206,616	3,352,078	4,558,694
Charges for services	158,557	1,785,826	1,944,383
Interest income	104,329	10,214	114,543
Miscellaneous revenues	62,755	206,807	269,562
Total Revenues	8,124,678	8,835,476	16,960,154
EXPENDITURES			
Current:			
General government	4,357,318	886,309	5,243,627
Public safety	2,866,084	526,564	3,392,648
Public works		6,393,052	6,393,052
Health and welfare	254,158		254,158
Culture and recreation		557,412	557,412
Conservation of natural resources	107,176		107,176
Economic development and assistance	654,043	75,530	729,573
Debt service:			
Principal	22,800	845,276	868,076
Interest	7,049	265,162	272,211
Other debt service - no commitment		88,278	88,278
Total Expenditures	8,268,628	9,637,583	17,906,211
Excess of Revenues over (under) Expenditures	(143,950)	(802,107)	(946,057)
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	325	218,100	218,425
Transfers in		515,703	515,703
Transfers out	(202,328)	(313,375)	(515,703)
Total Other Financing Sources and Uses	(202,003)	420,428	218,425
Net Changes in Fund Balances	(345,953)	(381,679)	(727,632)
Fund Balances - Beginning, as previously reported	1,163,635	5,289,922	6,453,557
Prior period adjustments	(254,530)	(525,855)	(780,385)
Fund Balances - Beginning, as restated	909,105	4,764,067	5,673,172
Fund Balances - Ending	\$ 563,152	4,382,388	4,945,540

The notes to the financial statements are an integral part of this statement.

LINCOLN COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2011

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (727,632)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$4,285,400 exceeded depreciation of \$ 1,652,932 .	2,632,468
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net gain of \$41,378 and the proceeds from the sale of assets of \$ 218,425 in the current period.	(177,047)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	264,721
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(278,094)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount of debt repayments.	868,076
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
The amount of decrease in compensated absences	11,921
The amount of decrease in accrued interest payable	77,319
An Internal Service Fund is used by management to charge the cost of insurance to individual funds. The net revenue (expense) is reported within governmental activities.	<u>13,373</u>
Change in Net Assets of Governmental Activities	\$ <u><u>2,685,105</u></u>

The notes to the financial statements are an integral part of this statement.

LINCOLN COUNTY
Statement of Net Assets - Proprietary Fund
September 30, 2011

Exhibit 5

		Governmental Activities
		Self-insurance
		Internal Service
		Fund
ASSETS		
Current assets:		
Cash	\$	210,140
Total Assets		210,140
NET ASSETS		
Restricted for health insurance		210,140
Total Net Assets	\$	210,140

The notes to the financial statements are an integral part of this statement.

LINCOLN COUNTY

Exhibit 6Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund
For the Year Ended September 30, 2011

	Governmental Activities
	Self-insurance Internal Service Fund
Operating Revenues	
Miscellaneous Revenue	\$ 12,901
Total Operating Revenues	<u>12,901</u>
Operating Expenses	
Administrative	0
Claims Payments	800
Total Operating Expenses	<u>800</u>
Operating Income (Loss)	<u>12,101</u>
Nonoperating Revenues (Expenses)	
Interest income	1,272
Net Nonoperating Revenue (Expenses)	<u>1,272</u>
Net Income (Loss)	<u>13,373</u>
Changes in Net Assets	13,373
Net Assets - Beginning	<u>196,767</u>
Net Assets - Ending	<u><u>\$ 210,140</u></u>

The notes to the financial statements are an integral part of this statement.

LINCOLN COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2011

Exhibit 7

	Governmental Activities
	Self-insurance Internal Service Fund
Cash Flows From Operating Activities	
Payments for claims	\$ (20,046)
Miscellaneous	12,901
Net Cash Provided (Used) by Operating Activities	(7,145)
Cash Flows From Investing Activities	
Interest on deposits	1,272
Net Cash Provided (Used) by Investing Activities	1,272
Net Increase (Decrease) in Cash and Cash Equivalents	(5,873)
Cash and Cash Equivalents at Beginning of Year	216,013
Cash and Cash Equivalents at End of Year	\$ 210,140
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 12,101
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Increase (decrease) in claims and judgments liability	(19,246)
Total Adjustments	(19,246)
Net Cash Provided (Used) by Operating Activities	\$ (7,145)

The notes to the financial statements are an integral part of this statement.

LINCOLN COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2011

Exhibit 8

		Agency Funds
ASSETS		
Cash	\$	446,778
Due from other funds		20,324
Total Assets	\$	<u>467,102</u>
LIABILITIES		
Amounts held in custody for others	\$	297,685
Intergovernmental payables		169,417
Total Liabilities	\$	<u>467,102</u>

The notes to the financial statements are an integral part of this statement.

LINCOLN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Lincoln County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Lincoln County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Individual Component Unit Disclosures.

Discretely Presented Component Unit

The component unit column in the financial statements includes the financial data of the following component unit of the county. It is reported in a separate column to emphasize that it is legally separate from the county. A majority of the members of the governing bodies of this component unit is appointed by the county Board of Supervisors.

Lincoln-Lawrence-Franklin Regional Library was formed under Section 39-3-9, Miss. Code Ann. (1972) and is a legally separate entity. The library was organized under a contract between the counties of Lincoln, Lawrence and Franklin. Four cities contribute operating monies but do not have board representation. The board is composed of five members, three appointed by Lincoln County, one by Franklin County and one by Lawrence County. Lincoln County funds about twenty-four percent of the system's total operating budget.

C. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

LINCOLN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

The Statement of Net Assets presents the financial condition of the governmental activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the county, with certain limited exceptions. Internal service fund balances have been eliminated against the expenses and program revenue. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the county.

Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Proprietary Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

D. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The county's Proprietary Funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

LINCOLN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

The county reports the following major Governmental Fund:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

PROPRIETARY FUND TYPE

Internal Service Fund - This fund is used to account for those operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The county's internal service fund reports on self-insurance programs for employee medical benefits.

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

E. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

F. Deposits and Investments.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

G. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

LINCOLN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

H. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and-payables between funds within governmental activities are eliminated in the Statement of Net Assets.

I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Lincoln County elected to report general infrastructure assets acquired after September 30, 1980, on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide financial statements. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

J. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, Statement of Net Assets.

LINCOLN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

K. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the county.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the county’s general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the county’s general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

L. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year.

LINCOLN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

M. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

N. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

(2) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
To correct errors in prior year fines receivables	\$ (4,496,491)
To correct cash and payables overstatements from prior year	(780,385)
To correct errors in capital assets from prior year	23,162
Total prior period adjustments	<u>\$ (5,253,714)</u>

Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

<u>Explanation</u>	<u>Amount</u>
To correct cash and payables overstatements from prior year	<u>\$ (780,385)</u>

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2011, was \$6,556,984, and the bank balance was \$6,993,526. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits.

LINCOLN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

(4) **Interfund Transactions and Balances.**

The following is a summary of interfund balances at September 30, 2011:

A. **Due From/To Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 168,081
Agency Funds	General Fund	20,324
Total		<u>\$ 188,405</u>

The receivables represent the tax revenue collected but not settled until October, 2011. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. **Transfers In/Out:**

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 202,328
Other Governmental Funds	Other Governmental Funds	313,375
Total		<u>\$ 515,703</u>

The transfer from the General Fund was an appropriation to the Lincoln County Civic Center. Other transfers were to provide funds for grant matches. All interfund transfers were routine and consistent with the activities of the fund.

(5) **Intergovernmental Receivables.**

Intergovernmental receivables at September 30, 2011, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tag credit	\$ 206,671
Home investment partnerships program	249,505
Total Governmental Activities	<u>\$ 456,175</u>

LINCOLN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2011:

Governmental activities:

	Balance Oct. 1, 2010	Additions	Deletions	Adjustments*	Balance Sept. 30, 2011
<u>Non-depreciable capital assets:</u>					
Land	\$ 555,123				555,123
Construction in progress	<u>0</u>	3,649,927	0	(1,973,276)	<u>1,676,651</u>
Total non-depreciable capital assets	<u>555,123</u>	<u>3,649,927</u>	<u>0</u>	<u>(1,973,276)</u>	<u>2,231,774</u>
<u>Depreciable capital assets:</u>					
Infrastructure	174,491,864	23,947		1,973,276	176,489,087
Buildings	12,228,737			(29,129)	12,199,608
Improvements other than buildings	1,161,584			1	1,161,585
Mobile equipment	5,997,776	433,484	63,198	836,198	7,204,260
Furniture and equipment	1,002,972	161,962	36,792	(108,941)	1,019,201
Leased property under capital leases	<u>2,176,356</u>	<u>16,080</u>	<u>376,392</u>	<u>(858,718)</u>	<u>957,326</u>
Total depreciable capital assets	<u>197,059,289</u>	<u>635,473</u>	<u>476,382</u>	<u>1,812,687</u>	<u>199,031,067</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	112,658,725	770,744		(11,349)	113,418,120
Buildings	6,056,846	230,459		(9,320)	6,277,985
Improvements other than buildings	92,493	46,463		(2)	138,954
Mobile equipment	4,398,822	394,699	56,878	223,080	4,959,723
Furniture and equipment	717,679	87,191	33,626	(36,519)	734,725
Leased property under capital leases	<u>891,391</u>	<u>123,376</u>	<u>208,831</u>	<u>(349,641)</u>	<u>456,295</u>
Total accumulated depreciation	<u>124,815,956</u>	<u>1,652,932</u>	<u>299,335</u>	<u>(183,751)</u>	<u>125,985,802</u>
Total depreciable capital assets, net	<u>72,243,333</u>	<u>(1,017,459)</u>	<u>177,047</u>	<u>1,996,438</u>	<u>73,045,265</u>
Governmental activities capital assets, net	<u>\$ 72,798,456</u>	<u>2,632,468</u>	<u>177,047</u>	<u>23,162</u>	<u>75,277,039</u>

*Adjustments were to move completed construction in progress to infrastructure and to correct prior year errors in capital asset balances.

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 275,361
Public safety	251,268
Public works	1,081,215
Culture and recreation	<u>45,088</u>
Total governmental activities depreciation expense	<u>\$ 1,652,932</u>

LINCOLN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

COMPONENT UNIT

Lincoln-Lawrence-Franklin Regional Library Capital Assets:

	Balance Oct. 1, 2010	Additions	Deletions	Adjustments	Balance Sept. 30, 2011
<u>Non-depreciable capital assets:</u>					
Land	\$ 6,000				6,000
Construction in progress					0
Total non-depreciable capital assets	<u>6,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,000</u>
<u>Depreciable capital assets:</u>					
Books and library materials	1,839,513	62,296			1,901,809
Mobile equipment	19,038				19,038
Furniture and equipment	85,425	1,500			86,925
Total depreciable capital assets	<u>1,943,976</u>	<u>63,796</u>	<u>0</u>	<u>0</u>	<u>2,007,772</u>
<u>Less accumulated depreciation for:</u>					
Books and library materials	1,418,103	147,141			1,565,244
Furniture and equipment	54,796	10,148			64,944
Mobile equipment	19,038				19,038
Total accumulated depreciation	<u>1,491,937</u>	<u>157,289</u>	<u>0</u>	<u>0</u>	<u>1,649,226</u>
Total depreciable capital assets, net	<u>452,039</u>	<u>(93,493)</u>	<u>0</u>	<u>0</u>	<u>358,546</u>
Governmental activities capital assets, net	<u>\$ 458,039</u>	<u>(93,493)</u>	<u>0</u>	<u>0</u>	<u>364,546</u>

(7) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2011, to January 1, 2012. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The county is exposed to risk of loss relating to employee health, accident and dental coverage. Beginning in 1999 and pursuant to Section 25-15-101, Miss. Code Ann. (1972), the county established a risk management fund (included as an Internal Service Fund) to account for and finance its uninsured risk of loss. Effective May 1, 2010, the County changed its method of providing health insurance coverage to its employees from operating as a self-insurance provider to contracting with a third-party provider.

LINCOLN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). At September 30, 2011, all claim liabilities related to the County's self-insurance have been satisfied in full. An analysis of claims activities is presented below:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year End</u>
2009-2010	\$ 176,083	1,075,050	1,231,887	19,246
2010-2011	\$ 19,246	800	20,046	0

The remaining claims outstanding from the County's self-insurance activity are reflected in the Internal Service Fund's activity. Financial costs associated with the new third-party provider are reflected in the County's General Fund and Road and Bridge and Road Maintenance Fund as applicable to where the personnel costs are associated.

(8) Operating Leases.

As Lessee:

The county has entered into certain operating leases which do not give rise to property rights. Total costs for such leases were \$536 for the year ended September 30, 2011. The future minimum lease payments for these leases are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2012	\$ 3,216
2013	3,216
2014	3,216
2015	<u>2,680</u>
Total Minimum Payment Required	<u>\$ 12,328</u>

(9) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2011:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 957,326
Less: Accumulated depreciation	<u>456,295</u>
Leased Property Under Capital Leases	<u>\$ 501,031</u>

LINCOLN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

The following is a schedule by years of the total payments due as of September 30, 2011:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 95,997	8,154
2013	95,209	7,292
2014	<u>59,275</u>	<u>827</u>
Total	<u>\$ 250,481</u>	<u>16,273</u>

(10) Long-term Debt.

Debt outstanding as of September 30, 2011, consisted of the following:

<u>Description and Purpose</u>	<u>Amount</u>	<u>Interest</u>	<u>Final</u>
Governmental Activities:			
A. General Obligation Bonds:			
Jail bond	\$ 1,555,000	3.55/3.625	05/2018
Industrial taxable bond	1,355,000	6.00%	06/2025
Industrial park bond	1,900,000	4.50%	12/2026
Library roof & courthouse chiller	320,000	3.20%	10/2013
Equipment for multi-purpose building	<u>125,000</u>	1.75/2.00%	03/2014
Total General Obligation Bonds	<u>\$ 5,255,000</u>		
B. Limited Obligation Bonds:			
Tax increment bonds	<u>\$ 131,100</u>	4.65%	04/2016
C. Capital Leases:			
E911 equipment upgrade	\$ 54,331	5.50%	09/2013
Excavator	1,643	3.98%	10/2011
Caterpillar motor grader	74,762	3.61%	08/2013
Caterpillar backhoe	39,220	3.61%	04/2014
Caterpillar wheel loader	<u>80,525</u>	3.39%	01/2014
Total Capital Leases	<u>\$ 250,481</u>		
D. Other Loans:			
Industrial park building CAP loan	<u>\$ 148,090</u>	4.00%	06/2017

LINCOLN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Governmental Activities:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>		<u>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 555,000	224,014	24,225	6,096
2013	570,000	202,509	25,650	4,970
2014	425,000	183,213	25,650	3,777
2015	390,000	166,274	27,075	2,584
2016	405,000	149,535	28,500	1,325
2017 – 2021	1,540,000	498,736		
2022 – 2026	1,215,000	183,966		
2027 – 2031	155,000	3,100		
Total	<u>\$ 5,255,000</u>	<u>1,611,347</u>	<u>131,100</u>	<u>18,752</u>

<u>Year Ending September 30</u>	<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 24,302	5,546
2013	25,293	4,555
2014	26,323	3,525
2015	27,396	2,453
2016	28,512	1,336
2017 – 2021	16,264	246
Total	<u>\$ 148,090</u>	<u>17,661</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2011, the amount of outstanding debt was equal to 1.36% of the latest property assessments.

Prior Year Defeasance of Debt - In prior years, the county defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the county's financial statements. On September 30, 2011, \$1,555,000 of bonds outstanding were considered defeased.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2011:

	<u>Balance</u>				<u>Balance</u>	<u>Amount due</u>
	<u>Oct. 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Sept. 30, 2011</u>	<u>within one</u>
Governmental Activities:						<u>year</u>
Compensated absences	\$ 129,340		11,921		117,419	
General obligation bonds	5,880,000		625,000		5,255,000	555,000
Limited obligation bonds	153,900		22,800		131,100	24,225
Capital leases	447,406		23,351		250,481	95,997
Other loans	171,441		196,925		148,090	24,302
Total	<u>\$ 6,782,087</u>	<u>0</u>	<u>879,997</u>	<u>0</u>	<u>5,902,090</u>	<u>699,524</u>

LINCOLN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Compensated absences will be paid from the funds from which the employees' salaries were paid which are generally the General Fund, and the Bridge and Road Maintenance Funds.

(11) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2011:

Fund	Deficit
Law Library	\$ (3,398)
Garbage & Solid Waste	(29,611)
Litter & Solid Waste	(3,362)

(12) Contingencies.

Federal Grants - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the county's financial statements.

Litigation - The county is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the county with respect to the various proceedings. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

Hospital Revenue Bond Contingencies - The county issues revenue bonds to provide funds for constructing and improving capital facilities of the King's Daughters Hospital. Revenue bonds are reported as a liability of the hospital because such debt is payable primarily from the hospital's pledged revenues. However, the county remains contingently liable for the retirement of these bonds because the full faith, credit and taxing power of the county is secondarily pledged in case of default by the hospital. The principal amount of hospital revenue bonds outstanding at September 30, 2011, is \$4,920,000.

(13) No Commitment Debt (Not Included in Financial Statements).

No commitment debt is repaid only by the entities for whom the debt was issued and includes debt that either bears the county's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the county other than possibly an agreement to assist creditors in exercising their rights in the event of default. Because a default may adversely affect the county's own ability to borrow, the principal amount of such debt outstanding at year end is disclosed as follows:

Description	Balance at Sept. 30, 2011
New Sight Volunteer Fire Department truck loan	\$ 48,510
Bogue Chitto Volunteer Fire Department truck loan	97,425
Heucks Retreat Volunteer Fire Department truck loan	54,120
Hog Chain Volunteer Fire Department truck loan	46,424
Ruth Volunteer Fire Department truck lease purchase	73,026
East Lincoln Volunteer Fire Department truck lease purchase	29,955

LINCOLN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

(14) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Copiah-Lincoln Community College operates in a district composed of the Counties of Adams, Copiah, Franklin, Jefferson, Lawrence, Lincoln and Simpson. The Lincoln County Board of Supervisors appoints six of the 27 members of the college board of trustees. The county appropriated \$1,207,707 for maintenance and support of the college in fiscal year 2011.

Southwest Mississippi Planning and Development District operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Lincoln County Board of Supervisors appoints four of the 40 members of the board of directors. The county appropriated \$47,879 and \$19,900 for support of the district in fiscal year 2011.

Southwest Mississippi Mental Health Complex operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Lincoln County Board of Supervisors appoints one of the ten members of the board of commissioners. The county appropriated \$30,000 for support of the district in fiscal year 2011.

The Alliance was formed to handle joint projects between the County, the City of Brookhaven and the Chamber of Commerce Industrial Development Foundation. The Alliance is governed by five members, two appointed by the County, two appointed by the City, and the one appointed by the Industrial Development Foundation. The Alliance will build a new industrial development park with the first project to consist of a water well and water tower and the second project is to provide sewer, water and roads. Funding consists of \$2.2 million from the County, \$2.2 million from the City and EDA Grants of \$490,000 and \$500,000 from the Industrial Development Foundation. Lincoln County provided no support for fiscal year 2011.

(15) Defined Benefit Pension Plan.

Plan Description. Lincoln County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2011, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2011 was 12% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2011, 2010 and 2009 were \$518,772, \$505,825 and \$516,476, respectively, equal to the required contributions for each year.

(16) Subsequent Events.

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of Lincoln County evaluated the activity of the county through June 14, 2013, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

LINCOLN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Subsequent to September 30, 2011, the county issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>		<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
5/23/2012	2.03%	\$	130,464	Capital lease	Ad valorem
5/23/2012	2.03%		194,040	Capital lease	Ad valorem

LINCOLN COUNTY

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LINCOLN COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

LINCOLN COUNTY

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LINCOLN COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 5,513,636	5,363,692	5,363,692	
Road and bridge privilege taxes				
Licenses, commissions and other revenue	482,474	666,236	666,236	
Fines and forfeitures	642,077	632,980	632,980	
Intergovernmental revenues	776,649	701,125	701,125	
Charges for services	50,000	158,557	158,557	
Interest income	68,000	116,920	104,107	(12,813)
Miscellaneous revenues	48,000	50,053	62,866	12,813
Total Revenues	<u>7,580,836</u>	<u>7,689,563</u>	<u>7,689,563</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	3,925,564	4,648,132	4,648,132	
Public safety	2,559,582	2,791,860	2,791,860	
Health and welfare	247,786	250,320	250,320	
Conservation of natural resources	107,212	104,993	104,993	
Economic development and assistance	184,900	178,401	178,401	
Total Expenditures	<u>7,025,044</u>	<u>7,973,706</u>	<u>7,973,706</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>555,792</u>	<u>(284,143)</u>	<u>(284,143)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets			325	325
Compensation for loss of capital assets			5,691	5,691
Transfers out			(202,328)	(202,328)
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>(196,312)</u>	<u>(196,312)</u>
Net Change in Fund Balance	555,792	(284,143)	(480,455)	(196,312)
Fund Balances - Beginning	<u>4,021,964</u>	<u>635,354</u>	<u>681,370</u>	<u>46,016</u>
Fund Balances - Ending	<u>\$ 4,577,756</u>	<u>351,211</u>	<u>200,915</u>	<u>(150,296)</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

LINCOLN COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2011

A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund:

		Governmental Fund Type
		General Fund
Budget (Cash Basis)	\$	(480,455)
Increase (Decrease)		
Net adjustments for revenue accruals		429,424
Net adjustments for expenditure accruals		(294,922)
GAAP Basis	\$	(345,953)

LINCOLN COUNTY

SUPPLEMENTAL INFORMATION

LINCOLN COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2011

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture/ Passed-through the Mississippi State Treasurer's Office Schools and roads grants to states	10.665	N/A	\$ 75,239
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Community Development Block Grant/state's program*	14.228	07-043-PF-01	500,491
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Home investment partnerships program*	14.239	1221-M-08-SG-280-364	210,095
U.S. Department of Transportation - Federal Highway Administration/ Passed-through the Mississippi Department of Transportation			
Highway planning and construction	20.205	BR NBIS 074	61,200
Highway planning and construction	20.205	PLH-027-515 (B) 05	20,033
Highway planning and construction	20.205	PLH-027-515 (B) 06	25,934
Highway planning and construction	20.205	PLH-027-516 (B) 07	12,077
Highway planning and construction	20.205	PLH-027-516 (B) 08	18,825
Highway planning and construction	20.205	PLH-027-516 (B) 09	11,490
Highway planning and construction	20.205	PLH-027-516 (B) 10	2,245
Highway planning and construction	20.205	PLH-027-516 (B) 11	11,822
Highway planning and construction	20.205	STP-9517 (2)B 01	24,940
Highway planning and construction	20.205	STP-9517 (2)B 02	28,057
Highway planning and construction	20.205	STP-21631 (B) 05	38,052
Total U.S. Department of Transportation			254,675
U.S. Department of Energy Passed-through the Mississippi Development Authority ARRA- Energy efficiency and conservation block grant program -	81.128	N/A	149,051
Total Expenditures of Federal Awards			\$ 1,189,551

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

* Denotes major federal award program

LINCOLN COUNTY

SPECIAL REPORTS

LINCOLN COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Lincoln County, Mississippi

We have audited the financial statements of the governmental activities, the aggregate discretely presented component unit, the major fund and the aggregate remaining fund information of Lincoln County, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the county's basic financial statements and have issued our report thereon dated June 14, 2013. Our report is qualified on the aggregate remaining fund information because the County did not maintain adequate subsidiary records documenting the existence and valuation of solid waste accounts receivables. Except for the limitations related to the qualified opinion, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the county is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Lincoln County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 11-1, 11-2, 11-3, 11-4, 11-5, 11-6, 11-7, 11-8, 11-9, 11-10, and 11-11 to be material weaknesses.

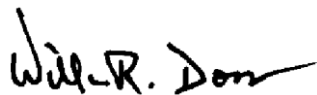
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lincoln County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain instances of noncompliance which we have reported to the management of Lincoln County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated June 14, 2013, included within this document.

Lincoln County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Lincoln County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

June 14, 2013



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Supervisors
Lincoln County, Mississippi

Compliance

We have audited the compliance of Lincoln County, Mississippi with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011. Lincoln County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Lincoln County, Mississippi's management. Our responsibility is to express an opinion on Lincoln County, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lincoln County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Lincoln County, Mississippi's compliance with those requirements.

In our opinion, Lincoln County, Mississippi, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

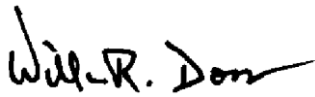
Internal Control Over Compliance

The management of Lincoln County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Lincoln County, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will R. Dooss". The signature is written in a cursive, flowing style.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

June 14, 2013



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Lincoln County, Mississippi

We have examined Lincoln County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2011. The Board of Supervisors of Lincoln County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Lincoln County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our procedures disclosed an instance of noncompliance with the aforementioned code sections. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response are disclosed below:

Inventory Control Clerk.

Inadequate controls were noted over the inventory control system.

Finding

Section 31-7-107, Miss. Code Ann. (1972) requires the county to establish and maintain an inventory control system. An effective system of internal control over capital assets ensures that capital assets are reported in the proper categories at the correct amounts. We noted the following deficiencies:

- a. Buildings and depreciation on buildings were overstated by \$29,129 and \$9,320 respectively on the financial statements. This overstatement consisted of a building that was deleted, but not removed from the financial statements.
- b. Mobile equipment and depreciation on mobile equipment were understated by \$2,275 and overstated by \$11,353 respectively on the financial statements. This misstatement consisted of deleted mobile equipment not being removed, and added mobile equipment not being added to the financial statements.
- c. Other furniture and equipment and depreciation on other furniture and equipment were overstated by \$108,941 and \$1,885 respectively on the financial statements. This misstatement consisted of deleted other furniture and equipment not removed from the financial statements.
- d. Capital leases and depreciation on capital leases were overstated by \$24,795 and \$14,055 respectively on the financial statements. This consisted of differences in prior year balances and current year figures.

Failure to strengthen internal controls over capital assets could result in unrecorded transactions, misstated financial reports, undetected errors and loss or misappropriation of assets.

Recommendation

The Inventory Control Clerk should ensure that all capital asset additions and deletions are accounted for each year. The clerk should ensure that depreciation calculations are accurate in the inventory system.

Inventory Control Clerk's Response

Will make every effort to properly account for inventory's deletions and additions and depreciation.

In our opinion, and except for the noncompliance referred to in the preceding paragraph, Lincoln County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2011.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

Lincoln County's response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

This report is intended for use in evaluating the central purchasing system and inventory control system of Lincoln County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

June 14, 2013

LINCOLN COUNTY

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2011

Schedule 1

Our test results did not identify any purchases from other than the lowest bidder.

LINCOLN COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2011

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
10/08/2010	Bridge	\$ 50,000	Oddee Smith Construction, Inc.	Bridge fell in
01/18/2011	Repair front axle	10,028	Puckett Machinery	Damage to front axle
09/15/2011	Guard rails	10,750	Atwood Construction, LLC	Truck overturned and damaged guard rail
09/30/2011	Replaced motor	11,140	Prestridge & Sons	Extensive problems with motor

LINCOLN COUNTY

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2011

Schedule 3

Our test results did not identify any purchases made noncompetitively from a sole source.

LINCOLN COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Lincoln County, Mississippi

In planning and performing our audit of the financial statements of Lincoln County, Mississippi for the year ended September 30, 2011, we considered Lincoln County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Lincoln County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated June 14, 2013, on the financial statements of Lincoln County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. Synopsis of audit report was not published.

Finding

Section 7-7-221(1), Miss. Code Ann. (1972), requires a synopsis of the annual audit report of the fiscal and financial affairs of the County to be published in a local newspaper as soon as possible after the County receives a copy of the report. The county did not publish the 2010 audit synopsis. Failure to publish the audit synopsis resulted in not being in compliance with state law.

Recommendation

The County should publish a synopsis of the annual audit report as required by law.

Board of Supervisors' Response

Will try my best to publish as soon as report is received.

Board of Supervisors/Justice Court Judges.

2. Justice Court Judges should be bonded for the proper amount.

Finding

Section 9-11-7, Miss. Code Ann. (1972), requires Justice Court Judges to execute a bond for \$50,000 to be payable, conditioned and approved as provided by law. The Justice Court Judges were bonded for \$10,000 rather than \$50,000. Failure to have officials bonded for the proper amount will limit the amount available for recovery if a loss were to occur.

Recommendation

The Justice Court Judges should ensure that their bonds are increased to the proper amounts

Board of Supervisor's Response

Will take care of immediately.

Board of Supervisors and Constables.

3. Constable should be bonded for proper amount.

Finding

Section 19-19-3, Miss. Code Ann. (1972), requires Constables to execute a bond for \$50,000 to be payable, conditioned and approved as provided by law. The Constables were bonded for \$25,000 rather than \$50,000. Failure to have officials bonded for the proper amount will limit the amount available for recovery if a loss were to occur.

Recommendation

The Constables should ensure that their bonds are increased to the proper amounts.

Board of Supervisors' and Constables Response

Will take care of immediately.

Chancery Clerk.

4. Collateralization procedures are not being performed.

Finding

Section 27-105-5, Miss. Code Ann. (1972), gives the responsibility to the State Treasurer for the collateralization of public deposits. However, the county is still required to perform certain duties related to the collateralization of public funds. The following duties were not performed:

- a. The quarterly report from the State Treasurer was not reconciled to the County's bank records.
- b. Bank officials were not notified when increases in deposits exceeded 25% of the average daily balance.
- c. The annual report was not submitted to the State Treasurer.

Without accurate and timely reconciliation of the quarterly reports, the risk increases that the County's total deposits may not be properly collateralized.

Recommendation

The Chancery Clerk should ensure the reconciliation function is prepared quarterly, the annual report is submitted by October 31st and the bank is notified when appropriate.

Chancery Clerk's Response

Will make every attempt to reconcile in a timely manner.

Board of Supervisors/ Assistant Receiving Clerks.

5. Assistant Receiving Clerks should be bonded for the proper amount.

Finding

Section 31-7-124, Miss. Code Ann. (1972), requires the Assistant Receiving Clerks to execute a bond for \$50,000 to be payable, conditioned and approved as provided by law. The Assistant Receiving Clerks were bonded for \$25,000 rather than \$50,000. Failure to have officials bonded for the proper amount will limit the amount available for recovery if a loss were to occur.

Recommendation

The Assistant Receiving Clerks should ensure that their bonds are increased to the proper amounts.

Board of Supervisors' Response

Will take care of immediately.

Chancery Clerk.

6. Officials' bonds should be correctly indexed when recorded.

Finding

Section 9-5-157, Miss. Code Ann. (1972), requires the clerk of the chancery court to include the number of suits in which the bond was filed. The purchase clerk, receiving clerk, assistant receiving clerks, inventory clerk, sheriff's deputies and justice court employees' bonds did not include page numbers. Lack of indexing officials' bonds could result in loss of documents that are required to be maintained by law.

Recommendation

The Chancery Clerk should ensure surety bonds are correctly indexed when recorded.

Chancery Clerk's Response

Clerk will properly index when recorded.

Chancery Clerk.

7. Chancery Clerk's restoration of records contract does not specify duties.

Finding

Section 19-15-1, Miss. Code Ann. (1972), gives the County the authority to contract with the Chancery Clerk for preservation of records. This contract should specify the duties to be performed. The Chancery Clerk was paid \$30,000 during the year for the preservation of records without a contract. Failure to document the specific duties to be performed for preservation of records in a contract could result in excess costs to the County.

Recommendation

The Board of Supervisors should enter into a contract with the Chancery Clerk which specifies the duties to be performed if the County chooses to hire the Chancery Clerk to perform the duties of record preservation.

Chancery Clerk's Response

Clerk has understood finding and previously acquired a resolution and contract with the Lincoln County Board of Supervisors as preservation of records. The contract specifies the duties to be performed.

Chancery Clerk.

8. The Chancery Clerk used the incorrect PERS contribution percentage to calculate retirement.

Finding

The Public Employee Retirement System (PERS) requires that state employees contribute the required monies into the retirement system, based on monies earned during the calendar year. This requirement is based on a percentage of income. The Chancery Clerk used the wrong form when calculating monies owed to PERS, which resulted in lower contributions being paid. The contribution percentage increased from 7.25% in 2010 (actual percentage clerk used for year 2011) to 9% in 2011. Failure to use correct percentage resulted in the clerk owing additional monies to PERS.

Recommendation

The Chancery Clerk should always make sure the most up to date and current form is used when filling out the annual financial report. A revised Annual Report needs to be sent in to PERS and The Office of the State Auditor, and additional monies to PERS should be paid.

Chancery Clerk's Response

The PERS account has been paid.

Circuit Clerk.

9. Annual earnings report was not filed timely by the Circuit Clerk and fees owed to the county were not paid timely.

Finding

Section 9-1-43 (1), Miss. Code Ann. (1972), states that all fees received by the Circuit Clerk that are in excess of the salary limitation should be deposited by such clerk into the county's General Fund on or before April 15th for the preceding calendar year. The Circuit Clerk did not file the annual financial report or pay back fees over the salary limitation to the General Fund in a timely manner. Failure to report the annual financial report and fees over the fee cap in a timely manner could result in erroneous amounts being reported and increases the possibility of the loss or misuse of public funds.

Recommendation

The Circuit Clerk should establish controls to ensure that the annual financial report is filed in a timely manner, as required by law. The clerk should settle additional monies owed to the county for exceeding the salary cap by April 15.

Circuit Clerk's Response

This Circuit Clerk resigned from office on January 6, 2012.

Circuit Clerk.

10. The Circuit Clerk used the incorrect contribution percentages on the annual financial report.

Finding

The Public Employee Retirement System (PERS) requires public employees contribute the required monies to the retirement system based on monies earned during the calendar year. This requirement is based on a percentage of income. The Circuit Clerk used the wrong form when calculating monies owed to PERS. The annual report used had lower contribution percentages than the current annual financial report. Failure to use the correct annual financial report resulted in the clerk owing additional monies to PERS.

Recommendation

The Circuit Clerk should use the correct form when completing the annual financial report. The additional amount should be paid to PERS and a revised annual financial report should be filed with PERS and The Office of the State Auditor.

Circuit Clerk's Response

This Circuit Clerk resigned from office on January 6, 2012.

Sheriff.

11. The Sheriff's office settlement of collections was not made on a monthly basis.

Finding

Section 19-25-13, Miss. Code Ann. (1972), requires the Sheriff to settle all collections of fees and charges to the county monthly. Settlements of collections were not made monthly. Failure to settle Sheriff's collections timely could result in loss or misuse of public funds.

Recommendation

The Sheriff should settle all collections monthly as required by law.

Sheriff's Response

Issue was noticed in December, 2012. Beginning with that month, issue has been corrected.

Board of Supervisors.

12. The County should settle all collections to the community college on a monthly basis.

Finding

Section 37-29-143, Miss. Code Ann.(1972), requires that the Board of Supervisors of each county belonging to a junior college district and levying taxes pursuant to subsection (1) of Section 37-29-141 for the support and maintenance, thereof, shall transmit its warrant or warrants constituting all of the revenues received from taxation for prior month for said purposes on or before the thirtieth day of each month; and may not supplement the collection with General Fund money. Our review of settlements revealed the County did not settle the community college collections monthly. The County also transferred funds from the County's General Fund in addition to the funds collected from the junior college levy, resulting in excess settlement.

Failure to settle levied taxes to the junior college monthly could result in the misappropriation of funds. Supplementing the collections with General Funds of the County is a violation of state law.

Recommendation

The Board of Supervisors should comply with the statutory requirement of settling to the community college monthly and not use General Funds to supplement collections.

Board of Supervisor's Response

We will make changes to our settlement procedures to correct this finding.

The Mississippi Office of the State Auditor has taken exception to certain costs. The details of the exception and disposition are as follows:

Exception Issued On/Demand Issued On:

Terry Lynn Watkins, Circuit Clerk

Nature of Exception/Demand:

Repayment to the County of excess over salary cap limit and undocumented expenses during 2004 and 2005 fiscal year.

Amount of Exception/Demand:

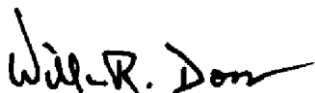
\$98,083.58

Disposition of Exception/Demand:

On November 9, 2012, \$61,000 was paid to the county by the circuit clerk's surety bond. The case is closed.

Lincoln County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

June 14, 2013

LINCOLN COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LINCOLN COUNTY

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LINCOLN COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2011

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements:

Governmental activities	Unqualified
Aggregate discretely presented component unit	Unqualified
General Fund	Unqualified
Aggregate remaining fund information	Qualified
2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes
 - b. Significant deficiencies identified? None Reported
3. Noncompliance material to the financial statements noted? No

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness identified? No
 - b. Significant deficiency identified? None Reported
5. Type of auditor's report issued on compliance for major federal programs: Unqualified
6. Any audit finding(s) disclosed that are required to be reported in accordance with Section ____510(a) of OMB Circular A-133? No
7. Federal programs identified as major programs:
 - a. Community development block grant/state's program, CFDA # 14.228
 - b. Home investment partnerships program, CFDA# 14.239
8. The dollar threshold used to distinguish between type A and type B programs: \$300,000
9. Auditee qualified as a low-risk auditee? No

LINCOLN COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

- 11-1. Reconciled bank statements should be independently reviewed and signed off on as evidence of completion.

Finding

An effective system of internal control would be providing evidence of bank reconciliation reviews. As reported in the prior year audit report, we noted the countywide bank statements are not being signed off on by the person reconciling the bank statement, nor are they being reviewed and signed off on by someone other than the reconciler. Failure to implement internal controls over the bank reconciliation function, could result in unrecorded transactions, undetected errors or misappropriation of funds.

Recommendation

We recommend the county implement internal controls over the bank reconciliation functions by providing evidence of reviews of the countywide bank reconciliation.

Board of Supervisors' Response

Will have Chancery Clerk sign off on.

Board of Supervisors/County Administrator.

Material Weakness

- 11-2. Federal revenue and disbursements should be reflected in the county's general ledger.

Finding

An effective system on internal control over the collections, recording and disbursement of all federal revenues and expenditures should include maintaining an accurate general ledger accounting system. The following deficiencies were noted in the county's process of accounting for receipts and disbursements of the Community Development Block Grant/state's program:

- a. Revenues of \$500,491 were not receipted into the general ledger.
- b. The county's expenditures of these funds were not reflected in the county's general ledger.

The county's revenues and disbursements were understated by the amounts excluded from the general ledger. An adjustment was proposed by the auditor and made with the county's approval to reflect the amounts inappropriately excluded. Failure to implement controls over the collections, recording and disbursement of all federal revenues and expenditures could result in unrecorded transactions and the misstatement of financial statements.

Recommendation

The County Administrator should ensure that all of the federal revenues and expenditures are reflected in the county's general ledger.

LINCOLN COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2011

Board of Supervisors' / County Administrator's Response

Will correct in the future.

Material Weakness

11-3. Controls over financial statement preparation should be strengthened.

Finding

An effective system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles should include adequate detail to document adjustments made in the compilation of the governmental funds and the government-wide financial statements and properly accounting for revenues and expenditures. The following deficiencies in the financial statement preparation and reporting were noted:

- a. An undocumented erroneous journal entry in the amount of \$4,496,491 was noted in the conversion from governmental funds to government-wide financials to public works expenditures, which upon further audit analysis revealed to be a prior period adjustment due to a misstatement of fines receivable in the prior year audit report. Failure to include sufficient detail as to the specific adjustments made to balances and transactions resulted in a material error in classifications in the statement of activities. An audit adjustment to correct this material misclassification in the county's financial statements was proposed to management and made to the financial statements with management's approval.
- b. The County co-mingled funds subsequently remitted to a third party commercial insurance provider in with its internal service fund, thereby resulting in an overstatement of revenues and expenses in the internal service fund financial statements. An adjustment of \$1,383,895 was proposed to management and made to correct the material misclassification of revenues and expenses with management's approval.

These items resulted in increased audit costs due to additional time required to identify the composition of the journal entries, and to prepare adjusting journal entries to correct the classification of revenues, expenditures, expenses, and to properly report the amounts in the financial statements in accordance with generally accepted accounting principles.

Recommendation

The Board of Supervisors should implement a system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles that includes proper classification of revenues, expenditures, and expenses, and ensure that adequate documentation is maintained of all journal entries used to prepare governmental and government-wide financial statements.

Board of Supervisors' Response

We acknowledge this finding and will make every effort to comply in the future.

LINCOLN COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Chancery Clerk/County Administrator.

Material Weakness

- 11-4. Revenue should be recorded and deposited in the county's records on a timely basis.

Finding

An effective system internal control over cash should include the receipt and the recording of revenue to the county's records and depositing on a timely basis. A check from the Chancery Clerk dated April 12, 2012 for monies paid to the county for over the cap fees in 2011 was posted to the county records by the County Administrator on June 29, 2012. Failure to deposit receipts timely could result in the loss or misappropriation of public funds.

Recommendation

The Chancery Clerk should ensure that funds are available to submit to the County for funds over the cap and that funds are submitted on a timely basis, according to State law. The County Administrator should ensure that all receipts of revenue are deposited on a timely basis.

Chancery Clerk's/County Administrator's Response

Clerk will ensure timely deposit.

Chancery Clerk.

Material Weakness

- 11-5. Deposits are not made timely.

Finding

An effective system of internal control over the accounting of revenues should include timely deposits of receipts to the fee account. As reported in the prior two years' audit reports, deposits of receipts were not made on a timely basis. While testing other revenues in the Chancery Clerk's office, we noted that 15 out of 15 receipts were not deposited on a timely basis. Untimely deposits could result in the loss or misappropriation of public funds.

Recommendation

The Chancery Clerk should ensure that receipts are deposited daily for effective internal control over cash.

Chancery Clerk's Response

Clerk will ensure timely deposits.

LINCOLN COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Chancery Clerk.

Material Weakness

- 11-6. The Chancery Clerk should reimburse the county for his employees' payroll.

Finding

An effective system of internal control includes the Chancery Clerk reimbursing the General Fund for the clerk's payroll paid by the county. The Chancery Clerk has not been reimbursing the General Fund for the clerk's employees' salaries paid by the county. The county received reimbursement for the salaries only twice during the year, which was in September 2011 and December 2011. As a result, the Chancery Clerk received an interest free loan from the county. Also, there were negative cash balances in the Chancery Clerk's Payroll Clearing Fund throughout the year as a result of doing this. Failure to reimburse the County for payroll resulted in an interest free loan to the Chancery Clerk and negative payroll balances in the Chancery Clerk's payroll fund.

Recommendation

The Chancery Clerk should reimburse the County for his employees' payroll in advance of the actual payroll date. The Chancery Clerk should repay to the County the deficit cash balance in the amount of \$126,902.73 reflected in the Chancery Clerk's Payroll Fund at November, 2012.

Chancery Clerk's Response

Clerk has responded and cleared finding in December.

Note: Chancery Clerk paid \$126,902.773 to the county with the following:

<u>Check#</u>	<u>Check Amount</u>	<u>Check Date</u>	<u>Check Cleared</u>
985	\$ 79,791.28	08/28/2012	11/15/2012
988	23,089.10	09/28/2012	12/14/2012
995	12,395.56	11/01/2012	12/14/2012
1001	11,626.79	12/06/2012	12/14/2012

Circuit Clerk.

Material Weakness

- 11-7. Circuit Clerk is not allocating the correct amount of fees collected in the fee journal.

Finding

An effective system of internal control over accounting for revenue includes the correct allocation of monies received, as clerk's fees, on the fee journal. The Circuit Clerk did not report all of the clerk's fees that were earned from the civil and criminal accounts on the fee journal. This resulted in the Circuit Clerk's annual financial report being misstated, and the county is owed \$30,182 in additional monies for exceeding the salary cap. Failure to allocate the correct amount of clerk's fees on the fee journal resulted in the misstatement of the annual financial report.

LINCOLN COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Recommendation

The Circuit Clerk should pay \$30,182 of additional money owed to the county for the failure to report the correct amount of clerk's fees.

Circuit Clerk's Response

This Circuit Clerk resigned from office on January 6, 2012.

Tax Collector/Board of Supervisors.

Material Weakness

- 11-8. Subsidiary records for the Solid Waste accounts receivable should be maintained.

Finding

An effective system of internal control over the Solid Waste accounts receivable records should include maintaining adequate subsidiary records to support the total accounts receivable balance. The Tax Collector did not maintain adequate subsidiary records documenting the existence and valuation of the accounts receivable for the Solid Waste. Therefore, the Independent Auditor's report is qualified on the aggregate remaining fund information, because we were unable to satisfy ourselves as to the fair presentation of the Solid Waste accounts receivable amount. The failure to properly maintain adequate subsidiary records could result in the misappropriation or misuse of public funds and the possible misstatement of the financial statements.

Recommendation

The Tax Collector should establish procedures documenting the existence and valuation of Solid Waste accounts receivables, including the accounts receivable report and the aging schedules.

Tax Collector's/ Board of Supervisors' Response

We will work toward correcting this issue.

Tax Collector.

Material Weakness

- 11-9. The Tax Collector should not commingle solid waste user fee collections with ad valorem taxes.

Finding

An effective system of internal control should include a separate accounting of solid waste collections. A separate bank account should be used to account for all solid waste collections and a separate reconciliation should be prepared for the solid waste account. During our audit, we noted that the solid waste user fees were being combined into the Tax Collector's bank account with the ad valorem taxes. Failure to separate the solid waste user fees could result in the loss or misappropriation of public funds.

Recommendation

The Tax Collector should establish and maintain a separate bank account and reconciliation monthly for the solid waste user fees.

LINCOLN COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Tax Collector's Response

Not all counties have a separate bank account for solid waste, but I will work toward correcting this issue.

Auditor's Note

A separate accounting for solid waste collections provides for better control over taxpayer funds. We currently know of no other county comingling solid waste user fees with ad valorem tax collections.

Tax Collector.

Material Weakness

- 11-10. The Tax Collector should reconcile bank statements on a monthly basis.

Finding

An effective system of internal control over cash in the Tax Collector's office should include monthly bank reconciliations. We noted that the Tax Collector was not reconciling the bank account to the cash journal. Failure to reconcile the bank statements monthly could result in the loss of public funds.

Recommendation

The Tax Collector should ensure that bank reconciliations are prepared each month and identify what makes up the shortage/overage in the cash journals.

Tax Collector's Response

We are in the process of correcting this.

Tax Collector.

Material Weakness

- 11-11. The Tax Collector should establish controls over the settlement of taxes.

Finding

An effective system of internal control over cash includes settling all taxes collected to the proper authorities. As reported in the prior year audit report, we noted that the Tax Collector was settling gross collections to the taxing authorities and settling commissions to the county. This continued through the 2011 fiscal year, resulting in an over settlement of the commissions each month as they had been paid out to both the taxing authority and the County. The Tax Collector held the settlement for March (\$589,917.20) from the county to compensate for the over settlement. An additional check was written from the county to the tax office for \$57,481.22. There was no documentation given to support how much money was over settled to the county and no documentation to support the reason the Tax Collector held the month of March's settlement as payment for over settling. Failure to have adequate controls over cash settlements could result in the loss or misappropriation of public funds. This matter has been referred to the Investigative Division of the Office of the State Auditor.

LINCOLN COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Recommendation

For effective internal control over cash, the Tax Collector should ensure that receipts are balanced each month to the disbursements made to the taxing authorities for which they collect. All documents need to be maintained to support any settlement problems that occur during the year.

Tax Collector's Response

This Tax Collector is no longer in office as of December 31, 2011.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.